GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:183
ANSWERED ON:16.11.2007
EXTERNAL DEBT
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Will the Minister of FINANCE be pleased to state:

(a) whether the country`s external debt has increased nearly by 23% during 2006-07;

(b) if so, the details thereof and reasons therefor;

(c) the total external debt during the last three years and as on date; and

(d) the steps taken by the Government to reduce the external debt burden of the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P.K. BANSAL)

(a) India`s external debt rose by US $29.0 billion or 22.7 per cent during 2006-07 to reach a level of US $156.6 billion at end-March 2007.

(b) The main components of external debt which rose over the year were External Commercial Borrowings (ECB)(by 59%), Non-Resident Indian (NRI) deposits (by 14%) and short-term debt (by 38%). The stock of ECB increased mainly due to higher access to international capital markets by Indian corporates owing to lower interest rates abroad. NRI deposits surged during 2006-07 partly due to the preference of NRIs to park their savings in deposits with the Indian banking system and partly to the appreciating rupee which not only stimulated the inflow but also affected the outstanding balances under Non-Resident Rupee Account. Short-term debt increased because of a higher level of imports, particularly oil imports.

(c) The details of India`s total external debt for the last three years are given in the Table below:

Table : India`s External Debt

(US$ billion)

Sl.No	Components	At end March 2005	March 2006	March 2007	June 2007
1	2	3	4	5	6
A.	Long-term	116.7	118.9	144.6	152.4
B.	Short-term	7.5	8.7	12.0	13.0
C.	Total (A+B)	124.2	127.6	156.6	165.4

(d) Prudent external debt management policies are pursued by the Government to maintain external debt within manageable limits. These include emphasis on raising sovereign loans on concessional terms with longer maturities, prepaying high cost loans, rationalising interest rates on NRI deposits, restricting end-use of external commercial borrowings, monitoring of short-term debt and encouraging non-debt creating capital flows.